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Approved For Release 2005/08/03 : CIA-RDP86-00964R000200070007-2

MEMORANDUM FOR: Chief, Audit Staff

VIA: Inspector General

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Response to Report of Audit, Government Employees
Health Association, Inc. 1 January 1982 -
31 December 1983

1. The Office of Personnel accepts the findings of the Government Employees Health Association (GEHA) audit and wishes to commend the audit team for their strong positive support, which we appreciate. Our comments on the audit recommendations follow:

° Recommendation #1: Reconcile the Contract Health Insurance (CHI) premium general ledger accounts at least quarterly.

All parties concerned recognize the complexity of the CHI financial administration with payroll deductions from three sources, government contributions from two sources and periodic over-the-counter payments from overseas locations. Much progress has been made in 1984, but final resolution of the reconciliation problems will probably not occur until automation is completed. As an interim measure, the Audit Staff has provided an end of year 1983 dollar figure for reconciliation and we, with audit staff assistance, are presently manually conducting individual account reconciliations for all of 1984.

° Recommendation #2: Accrue revenues earned but not received and expenses incurred but not paid at year end.

The Audit Staff designed and periodically updates GEHA bookkeeping procedures. If GEHA's financial growth and proposed accounting automation make year end accrual of earned revenues appropriate, we will amend our procedures to do so immediately beginning with 1984.

° Recommendation #3: Prepare annual financial statements for Board and membership information.

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One of the purposes of the accounting automation under development is to provide us with the ability to produce this type of recommended financial reporting. It will not be operational, however, for some time. As an interim, we plan to construct manually a financial statement similar but not identical to exhibits A, B, and C of the audit for 1984.

2. I trust that you will find our responses satisfactory.

Robert W. Magee

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OP/EBS/IOI
Distribution.

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1 - D/PERS
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Government Employees Health Association, Inc.
Statement of Changes in Reserve Fund Balances
For the Year Ended 31 December 1983

	Total	UBLIC Investment in Common Stock	UBLIC General	Association Benefit Plan	Air Flight Plan	Contract Hospital- ization	General Fund
Balance, 1 January 1983	<u>\$5,723,460</u>	<u>\$707,527</u>	<u>\$4,533,999</u>	<u>\$303,374</u>	<u>\$28,941</u>	<u>\$84,547</u>	<u>\$65,072</u>
Increases:							
Premiums withheld from or returned by underwriter	748,125			737,096		11,029	
Investment income	529,484	153,710	361,533		2,292	6,726	5,223
Gain on sale of investments	189,147	75,245	109,585		695	2,039	1,583
Miscellaneous	<u>1,653</u>				<u>1,102</u>		<u>551</u>
Total increases	<u>1,468,409</u>	<u>228,955</u>	<u>471,118</u>	<u>737,096</u>	<u>4,089</u>	<u>19,794</u>	<u>7,357</u>
Decreases:							
Salaries	580,102		13,648	549,724	3,346	13,384	
Retiree free coverage	78,708		78,708				
Premiums for UBLIC dependent coverage	40,410		40,410				
Investment fees and expenses	66,326	21,275	43,344		275	806	626
Miscellaneous	<u>22,761</u>		<u>2,450</u>	<u>16,020</u>			<u>4,291</u>
Total decreases	<u>788,307</u>	<u>21,275</u>	<u>178,560</u>	<u>565,744</u>	<u>3,621</u>	<u>14,190</u>	<u>4,917</u>
Balance, 31 December 1983	<u>\$6,403,562</u>	<u>\$915,207</u>	<u>\$4,826,557</u>	<u>\$474,726</u>	<u>\$29,409</u>	<u>\$90,151</u>	<u>\$67,512</u>

Government Employees Health Association, Inc.
Statement of Changes in Financial Position
For the Year Ended 31 December 1983

Resources provided by:

Sale of investments	\$ 2,889,803
Claims reimbursed by underwriters:	
Hospitalization	13,152,879
Death	1,056,667
*Premiums from policyholders	1,233,941
Premiums from underwriters	748,125
Interest income	375,775
Dividend income	153,710
Miscellaneous	<u>1,653</u>
Total resources provided	<u>\$19,612,553</u>

Resources applied to:

Purchase of investments	\$ 3,233,857
Claims paid to policyholders:	
Hospitalization	13,245,477
Death	1,056,667
*Premiums paid to underwriters	1,173,167
Salaries paid	580,102
Investment fees and expenses	66,326
Premiums for UBLIC dependent programs	40,410
Premiums for retiree coverage	78,708
Increase cash	89,211
Increase accounts payable	26,444
Miscellaneous	<u>22,184</u>
Total resources applied	<u>\$19,612,553</u>

* Does not include premiums of \$15.9 million for Association Benefit Plan which are withheld by Compensation Division and passed through GEHA to Office of Personnel Management.